



O'NEILL SCHOOL OF PUBLIC AND ENVIRONMENTAL AFFAIRS

Managing Resources and Legitimacy: The Impact of Leadership Diversity on Nonprofit Survival

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INDIANA UNIVERSITY BLOOMINGTON

Leadership diversity

- Leadership as a collective phenomenon (Yammarino et al. 2012)
- Cost-benefit trade-off: coordination-and-communication vs. learning-and-effectiveness (Hamilton, Nickerson, and Owan 2003)
- Diversity-performance: mixed findings (Ferrier 2001; Horwitz and Horwitz 2007)
- “Conditions” to reap the diversity benefits (e.g. Fredette and Bernstein 2017; Fulton 2019)



Questions

- How does leadership diversity affect organizational survival?
- Do social diversity dimensions lead to different performance/survival outcomes?
 - Age, gender, immigrant status, race/ethnicity



Theory and hypotheses

Performance/Control

- Resource dependence theory (Hillman, Withers, and Collins 2009; Pfeffer and Salancik 1978)
- Strategic capacity (Ganz 2000)

Legitimacy

- Institutional theory (DiMaggio and Powell 1983; 1991; Selznik 1996)



Theory and hypotheses

RDT

- Female in leadership within network (+) → Female of the focal org.
(Hillman, Shropshire, & Cannella 2007)

Institutional

- Community-based organizations seek endorsement from established community institutions and external recognitions (Walker and McCarthy 2010)



Theory and hypotheses

Resources:

- Relational connections (Ali, Ng, and Kulik 2014; Hillman, Shropshire, and Cannella 2007)
- Financial performance, budget overrun (Ali, Ng, and Kulik 2014; Opstrup and Villadsen 2015)
- Gender, Age

Legitimacy:

- Representative legitimacy (Pitts 2005); Reputation (Miller and Triana 2009)
- Show effects over time (Watson, Kumar, and Kichaelsen 1993)
- Immigrant, Race/ethnicity



Theory and hypotheses

Aggregate effect

- HR: The whole is more than the sum of the parts
- Diversity HR practices (+) → performance (Armstrong, et al., 2010)

Hypothesis 1: Organizations with a higher level of aggregate diversity in leadership are more likely to survive.



Theory and hypotheses

Resource-legitimacy difference

Hypothesis 2: Organizations with a more age & gender diverse leadership team are more likely to survive.

Hypothesis 3: Organizations with a more racially diverse leadership team or with a higher immigrant representation in leadership are more likely to survive.

Hypothesis 4: Organizations with a more age & gender diverse leadership team have better immediate financial performance.





Data

Data

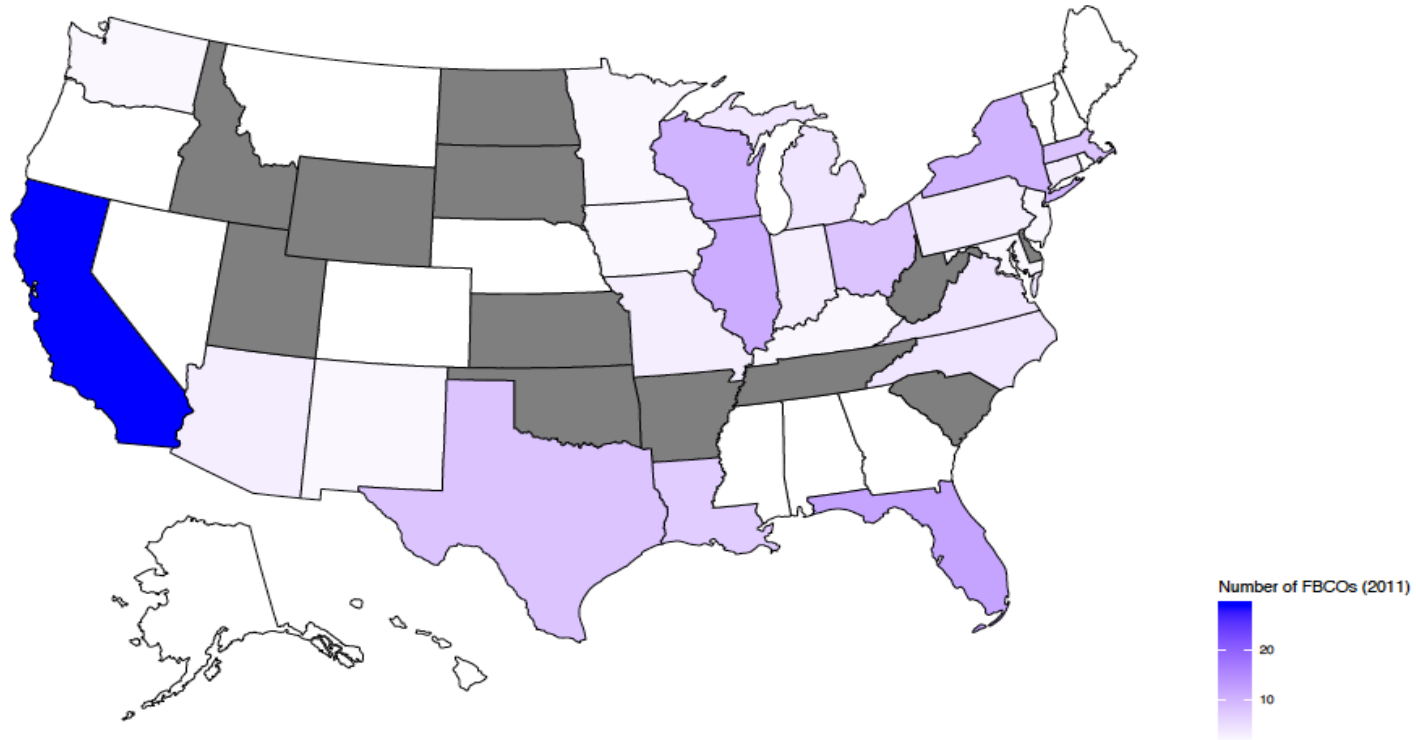
- The U.S. National Study of Community Organizing Coalitions (Fulton, Wood, and Interfaith Funders 2011)
 - Institution-based community organizations (IBCOs)
 - Imputation used for missing values (1%)

Survey wave	1999	2011
Total in field	133	189
Info obtained	79 (59%)	160 (85%)

- 2011 American Community Survey; IRS Form 990s



IBCOs Distribution by State, 2011 (N = 160)



Variables	Type	Mean
Survival in 2016	Bin: 1=existed	93%
Race (4 groups)	Blau's Index	0.45
Gender (2)	Blau's Index	0.45
Age (2)	Blau's Index	0.06
Immigrant (2)	Blau's Index	0.20
Total revenue in 2011 (x \$1,000)	Continuous	289.49
Total revenue in 2012	Continuous	359.75
Total revenue in 2013	Continuous	339.91

Control: Org Age; Org Size (Staff; Event Turnout); Board Size; National Network Affiliation

County context:
County Race (4 grps);
White %;
Hispanic %;
County Immigrant;
Immigrant %

N = 160





Results

Survival Analysis, 2011-2016: Cox Proportional Hazards Regression Results

Hypothesis 1: Organizations with a higher level of aggregate diversity in leadership are more likely to survive.

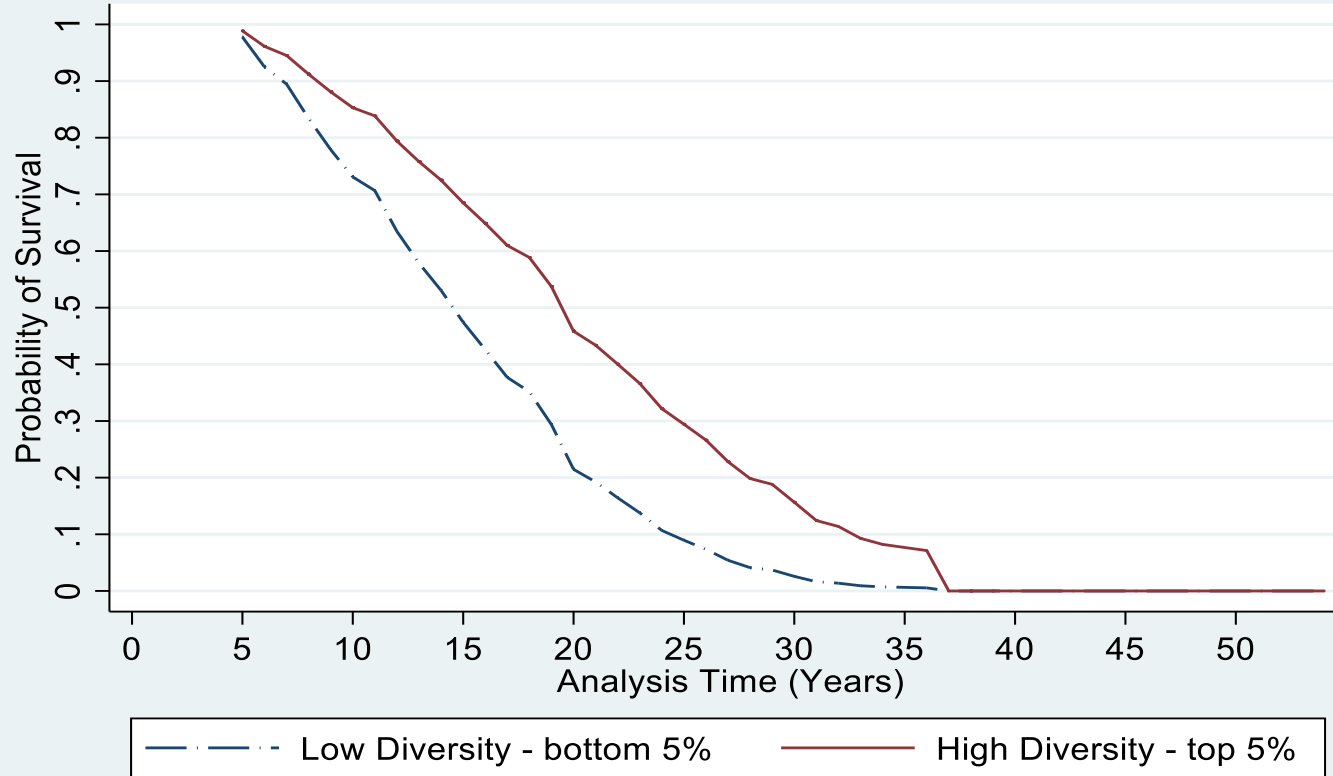
Variables	Haz. Ratio
Aggregate Diversity	0.92*** (0.01)
<i>Control: # staff, total revenue (log), # board member (log)</i> <i>County: White %, Hispanic %, Immigrant %</i>	
F test model	38.95

*** $p < 0.001$ (two-tailed).



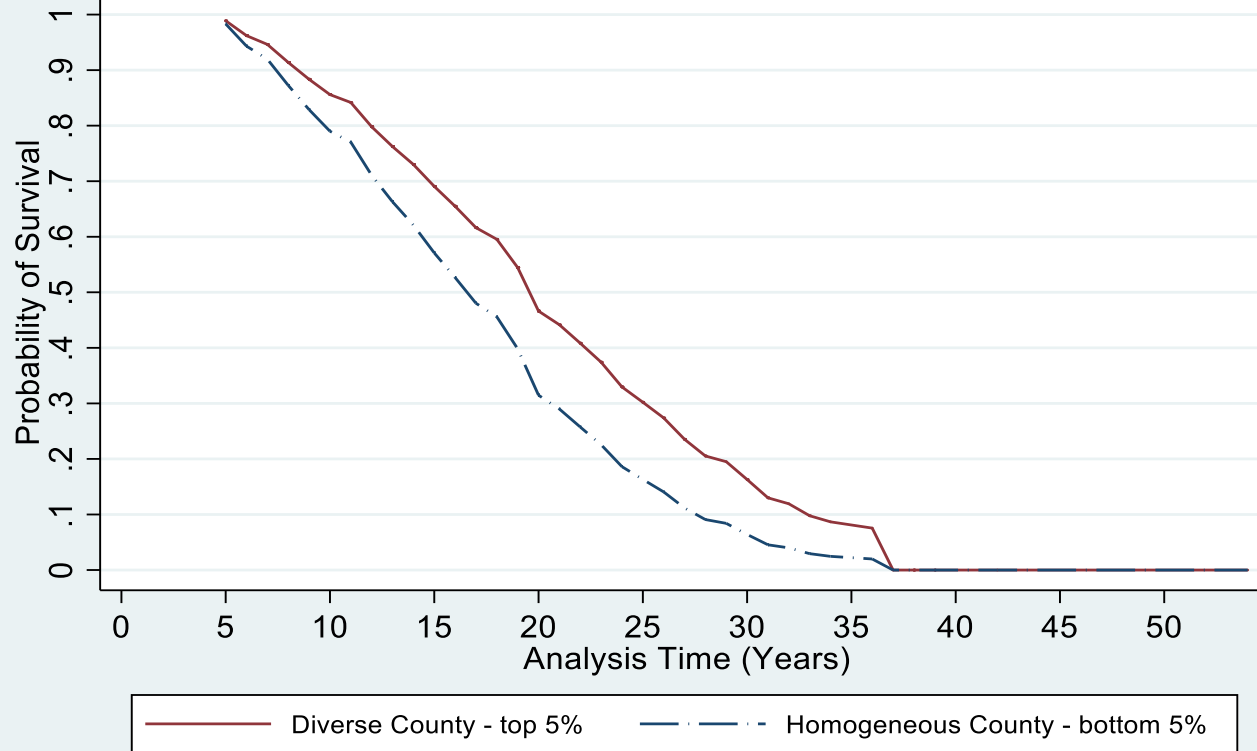
Survival Function: Diversity Index Model

Top and bottom 5% diverse organizations and survival probabilities over time



Survival Function: Diversity Index Model

Survival probabilities of an average organizations in top and bottom 5% diverse counties over time



Survival Analysis, 2011-2016: Cox Proportional Hazards Regression Results

Hypothesis 2: Organizations with a more age & gender diverse leadership team are more likely to survive.

Variables	Haz. Ratio
Age + Gender Diversity	1.02

Hypothesis 3: Organizations with a more racially diverse leadership team or with a higher immigrant representation in leadership are more likely to survive.

Immigrant + Race Diversity	0.81*** (0.41)
	(0.00)

Control: # staff, total revenue (log), # board member (log)

County: White %, Hispanic %, Immigrant %

F test model	43.14
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*** p<0.001 (two-tailed).



Results

Hypothesis 4: Organizations with a more age & gender diverse leadership team have better immediate financial performance.



Variables	2011	Variables	2012	Variables	2013
Age + Gender	0.07*** (0.01)	Age + Gender	0.09*** (0.03)	Age + Gender Index	0.14*** (0.04)
Immigrant + Race	-0.06*** (0.01)	Immigrant + Race	-0.04** (0.02)	Immigrant + Race	-0.02 (0.02)
County	Race (+ ***) , Immigrant (+ ***)	Race (-) , Immigrant (+ ***)		Race (-) , Immigrant (+ ***)	
<i>Control: Org age, # staff, biggest turnout (log), # board member (log), network</i>					
F test model	137.8		60.43		66.21
R-Squared	0.64		0.33		0.31

*** p<0.001 ** p<0.05 (two-tailed).



Variables	Faith-based %	Variables	Secular %	Variables	Fundraising %
Age + Gender	-1.54*** (0.61)	Age + Gender	2.27*** (0.54)	Age + Gender Index	-0.36** (0.21)
Immigrant + Race	-0.08 (0.47)	Immigrant + Race	1.51** (0.60)	Immigrant + Race	-0.17 (0.24)
County	Race (- **) , Immigrant (+ **)	Race (+ **) , Immigrant (+ **)		Race (- ***) , Immigrant (- ***)	
<i>Control: Org age, # staff, biggest turnout (log), # board member (log), network</i>					
F test model	36.16		61.90		25.07
R-Squared	0.17		0.31		0.19

*** p<0.001 ** p<0.05 (two-tailed).



Conclusion

- Social diversity dimensions: Resource-driven vs. legitimacy-driven
- Resource-driven (age, gender): positive effect on financial performance
- Legitimacy-driven (immigrant, race/ethnicity): positive effect on 5-year survival outcome
- In general, aggregate social diversity has a positive effect on 5-year survival
- Survival and “profitability” hinge upon different factors



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The logo for O'Neill features the name "O'Neill" in a bold, white, sans-serif font. It is set against a dark red rectangular background. To the right of this rectangle, the words "Lead for the Greater Good" are written in a smaller, white, sans-serif font on a black rectangular background.

O'Neill

Lead for the Greater Good

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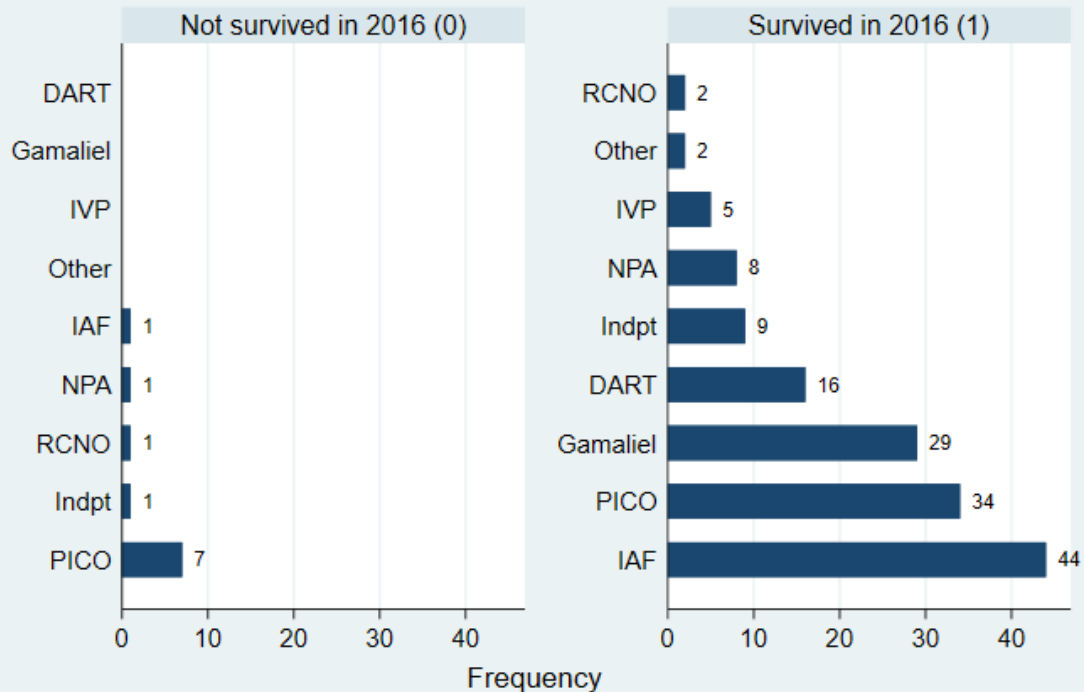


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Faith-Based Community Organizations Network Affiliation in 2011

by Organizational Survival in 2016 (survived=1; otherwise=0)



VARIABLES	(1) All Blau's Index
Diversity Index, 2011	
Board-Level Age Diversity, 2011	5.76*** (1.24)
Board-Level Gender Diversity, 2011	5.58*** (1.50)
Board-Level Immigrant Diversity, 2011	-2.89** (1.10)
Board-Level Race Diversity, 2011	0.43 (0.78)

